

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2013

Legislative Fiscal Note

BILL NUMBER: Senate Bill 452 (First Edition)

SHORT TITLE: Jurisdictional Amts/Arbitration/Sm Claims Ct.

SPONSOR(S): Senator Goolsby

FISCAL IMPACT					
(\$ in millions)					
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
State Impact	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General Fund Revenues:					
General Fund Expenditures:					
State Positions:					
NET STATE IMPACT	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:
The Administrative Office of the Courts

EFFECTIVE DATE July 1, 2013

TECHNICAL CONSIDERATIONS:
None

FISCAL SUMMARY:

The Fiscal Research Division does not expect the bill to have any fiscal impact on the State.

BILL SUMMARY:

Section 1 of this bill amends section 1 of existing G.S. 7A-210, Small claim action defined, to expand the threshold for the amount in controversy in small claims cases from \$5,000 to \$10,000.

Section 2 amends existing G.S. 7A-243, Proper division for trial of civil actions generally determined by amount in controversy, to expand the threshold for the amount in controversy in civil cases tried in District Court from \$10,000 to \$20,000 and to provide that Superior Court shall try cases where the amount in controversy exceeds \$20,000.

Section 3 amends existing G.S. 7A-37.1, Statewide court-ordered, nonbinding arbitration in certain civil actions, by changing subsection (c1) to require arbitration in all civil actions where the claims do not exceed \$20,000, unless all parties to the action waive arbitration under this section. New subsection (c2) is added to require a court to consider that an arbitrator's decision in a small claims case was affirmed by the court on appeal for trial de novo as a significant factor of assessing all court costs and attorneys' fees against the appellant.

This bill has an effective date of July 1, 2013, and applies to actions filed on or after that date.

ASSUMPTIONS AND METHODOLOGY:

Sections 1 and 2

These sections of the bill expand the threshold for small claims heard in Magistrates' Court from the current \$5,000 limit to a \$10,000 limit while expanding the threshold for claims cases in dispute in District Court from the current \$10,000 limit to a \$20,000 limit. The Fiscal Research Division does not expect that these sections would lead to any fiscal impact to the court system or the State.

AOC does not have data upon which to estimate the precise number of cases that will shift venues due to the changes proposed in these sections of the bill. AOC estimates that the additional workload associated with the cases that will move from Superior Court to District Court under this bill (those with \$10,000 to \$20,000 in controversy) would be offset by those cases that would shift from District Court to Magistrates' Court (cases with less than \$10,000 in controversy). In FY 2011-12, magistrates disposed of 227,925 small claims cases. The additional small claims cases that would be handled by magistrates as a result of this bill would result in a modest increase in workload statewide, but AOC estimates that magistrates should be able to absorb this workload within existing resources.

Section 3

Section 3 of this bill would require arbitration in all civil actions where the claims do not exceed \$20,000 unless all parties to the action waive arbitration under this section. Under current law, arbitration may be employed.

AOC estimates that this section of the bill may increase the workload on the arbitration coordinator in each judicial district. Districts with too few qualified arbitrators may see a delay in arbitration hearings under this section of the bill. While some cases resolve more quickly through arbitration than through a judicial trial, other cases would be delayed during the arbitration process before receiving a trial de novo. Arbitration is currently available in 71 counties. In FY 2011-12, the District Court ordered 3,508 cases to arbitration, of which 1,613 completed the arbitration process. That year, there were 394 appeals filed for trial de novo. Current rule requires that the arbitration hearing be conducted within 60 days of the filing of the last responsive pleading.

Because parties must pay court costs of \$100 for cases sent to arbitration and because all claims cases with \$20,000 or less in dispute would go to arbitration unless all parties agree otherwise under this section of the bill, Section 3 could result in a de facto increase in the District Court civil

filing fee by \$100 for claims cases with \$20,000 or less in dispute, bringing the total court fees for this type of case to \$250.

SOURCES OF DATA: The Administrative Office of the Courts

TECHNICAL CONSIDERATIONS:

AOC is concerned that this change to G.S. 7A-37.1 could conflict with the Supreme Court's Rules for Arbitration (first adopted in 1986 and updated most recently in 2012), specifically Rule 2, which lists the following specific exclusions from arbitration: cases in which the sole claim is an action on an account, cases involving title to real estate, family law matters, special proceedings, cases involving a preliminary injunction or a temporary restraining order, class actions, and summary ejections.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY:

William Childs

APPROVED BY:

Mark Trogon, Director
Fiscal Research Division

DATE: April 23, 2013



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